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MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Deputy Director of Central Intelligence

FROM:   
Executive Director

SUBJECT: Request for Retirement Program Policy Planning Approval

1. Action Requested: Changes in civil service retirement programs appear to be inevitable in 1985. Congress, by its own law, must pass legislation to supplement social security benefits for federal employees hired after 1 January 1984. While that legislation will only apply to a small number of current Agency employees, the policy decisions reached in the framing of the new legislation will unquestionably establish policies that will then be applied to the existing civil service retirement programs. This situation offers us an opportunity to make some improvements in our retirement plan. This memorandum requests your approval of policy guidelines to be followed in drafting changes in CIA retirement plans.

2. Objectives: To enable the Agency to achieve its mission, a revised retirement plan should achieve the following objectives:

- a. The Agency needs to maintain a young and vigorous work force.
- b. As part of the total employee compensation package, the plan should contribute to efforts to recruit and retain employees for a full career.
- c. Our plan should retain the Director's management flexibility as now exists in the Central Intelligence Agency Disability System (CIARDS) and should extend this flexibility to all employees.
- d. The retirement plan should be handled in such a way as to protect the identity and security of all employees.
- e. Costs of the plan must be reasonable and generally consistent with other federal programs.

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- f. The Agency should have a single plan that treats all employees equitably. It is undesirable to have one program for employees hired before 1 January 1984 and a different program for those hired after 1 January 1984. Equity must be achieved.

3. To achieve these objectives, we propose a retirement plan to be crafted according to the following policy guidelines:

- a. The tidal wave of change is coming. We should not resist those items which do not specifically affect the achievement of our mission. While we may not like them, we have no persuasive arguments to exempt Agency employees from such government-wide changes as the amount of employee contribution (current Administration recommendations are to increase it from 7 to 9%), cost-of-living indexing, and salary computation base (currently based on an employee's high-three salary but probably to be changed to high five). We should concede what we can't win.
- b. There should be a single CIA retirement plan which, for security reasons, will be totally administered by the Agency as we now do with CIARDS. Within the single plan will be a subset of what is now CIARDS.
- c. The plan should reward all employees equally for dangerous service as now outlined in the qualifying criteria for CIARDS. At present, an anomalous situation exists in which people overseas suffering the same threats, risks and disadvantages are being compensated differently in their retirement compensations, depending on whether they have qualified for CIARDS. This inequity is stark when it is noted that, at present, 62% of our people overseas are not CIARDS participants. Our specific proposal is that employees serving overseas or in other qualified dangerous service should accrue retirement benefits at a specific flat rate, not to be less than 2 1/2%. The present CIARDS accrual is 2%, but FBI and other law enforcement agencies have an

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accrual rate of 2 1/2%. Recent history has made it painfully obvious that overseas service with CIA is considerably more dangerous than domestic law enforcement. Agency employees overseas should get at least equivalency with domestic law enforcement agencies. During non-overseas periods of duty, CIARDS participants will accrue at 2%; non-CIARDS at whatever rate given to other civil servants.

- d. The plan should include a system for employees to voluntarily contribute more to their retirement program, a contribution to be matched at 50% by the Agency up to a limit of 6% of the employee salary. Current indications are that Congress will pass such a thrift plan to parallel the 401(k) plans available in industry. We should adopt whatever legislation results.
- e. The plan should retain the early retirement eligibility which now exists under CIARDS for employees with qualifying dangerous service time, without reduction of benefits. Specifically, we should retain our existing authorities to allow people to retire at age 50 with 20 years of service. In practice, the average age of CIARDS retirees over the last three years has been 53.2. Given the fact that most people don't retire on the day of eligibility and require a little run-up time, we think CIARDS is achieving the objectives for which it was designed, to wit, an early 50's retirement. We should also retain management flexibility for those who do not qualify for CIARDS benefits and allow them to retire at age 55 with 30 years of service, the current civil service formula. Even with this existing authority, our non-CIARDS employees retire at an average age of 59.2, which again is about where we should be.
- f. To maintain a young and vigorous work force, we should consider including a disincentive factor for those who stay beyond a certain retirement date. Such a disincentive could, for example, be an accrual rate which drops a certain percentage each year after a designated age or years of service.

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over age 55*

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g. Given our specialized mission and requirements, the cost of our program should not be lower than that of any single federal program.

4. Our intelligence coverage on the retirement scene is pretty good insofar as developments on the Hill and among the lobby groups are concerned. We are less knowledgeable about Administration plans and are worried lest a sudden agreement be concluded between the Executive and Legislative branches. To protect our interest, we must avoid such an intelligence surprise. Candidly, you are our best early warning source to provide sufficient advance notice to allow time to get our views to the appropriate committees.

5. We have initiated steps to draft legislative proposals and will move forward smartly upon receipt of your approvals of the above policy guidelines.

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CONCUR:

\_\_\_\_\_  
Deputy Director of Central Intelligence

\_\_\_\_\_  
Date

APPROVED:

\_\_\_\_\_  
Director of Central Intelligence

\_\_\_\_\_  
Date

Distribution:

Orig - Addressee

1 - ER

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Joe,

This was placed in  
Administration's Supplemental  
Retirement File by mistake.

STAT  
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No. Should be  
in Supplemental file  
as reference material

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